

INDUSTRY UPDATE

Biweekly Period Ending January 12, 2002

Phoenix Metro Area

Manufacturing

Gilbert-based **Spectrum Astro** has **begun work** on a 124,000-square-foot **manufacturing plant** that will be able to handle up to 27 space-vehicle projects at one time. Expected to be completed in December, the state-of-the-art facility at McQueen and Elliot roads will help the 13-year-old aerospace company compete for multi-million dollar research and defense projects, such as the Space Based Infrared System (more commonly known as the missile defense system). The new structure will be **one of nine office and manufacturing buildings** envisioned for Spectrum Astro's 80-acre campus, which when fully operational will **house up to 3,000 workers**. Initially about 50 employees will work at the Gilbert site, while the rest of the company's approximately 500 employees will remain at its Gilbert home at 1440 N. Fiesta Blvd.

Titan Motorcycle Co., which went out of business last April, has risen from its Phoenix ashes to **become New Titan Motorcycle Co.** The owner of a Fort Myers, Fla., Titan dealership purchased the company in July and began operating a **slimmed-down company** (20 versus 40 employees), but continues to produce a beefed-up bike that resembles a Harley Davidson. The former company ran into trouble when it expanded its operations to produce smaller versions of its successful high-performance motor bikes.

Finance, Insurance, and Real Estate

Outperforming the most optimistic of projections, the **Valley set a record for existing home sales in 2001** — 61,155 — jumping 8.5 percent from 2000 and beating the previ-

ous record set in 1999 by nearly 5,000. Historically low mortgage rates (which bottomed at 6.25 percent) and a confident consumer, despite increasing unemployment rates, fueled the growth. Surprised real estate forecasters are taking an even more cautious approach in 2002, which based on last year's pessimism could be good news for sales agents again!

Trade

Another Phoenix-based business that had fallen on hard times (see "Manufacturing," above) that is making a comeback is **PETsMART Inc.** The pet-supply company — which was near bankruptcy several years ago after overextending its operations — saw its **third quarter 2001 over-the-year sales increase by 10 percent**, and its stock has climbed by more than 300 percent the past 12 months. Founded in 1987, PETsMART is the nation's leading retail supplier of pet products, with more than 560 stores in the United States and Canada.

Services

It appears that casino gambling, at least in Arizona, is immune to a recession (also see "Balance of State" and "Statewide," below). Following on the heels of the recent opening of two new Indian casinos near Tucson (see Oct. 20, 2001, *Industry Update*), the **Gila River Indian Community** will **open its third casino** in late January. The **Lone Butte casino in Chandler**, which will feature 400 slot machines and a deli, will complement its two other gaming establishments — Wild Horse Pass in Chandler and Vee Quiva near Laveen in the west Valley.

Tucson Metro Area

Manufacturing

The effects of the economic slowdown and the Sept. 11th terrorist events have trickled down to the business and private aircraft sector. **Bombardier Aerospace** announced in early January that it would **lay off 750 workers** at its Tucson operations **by the end of 2002**. The move consists of more than one-fourth (550) of 1,800 Tucson-based employees and 200 contract workers. The Montreal, Canada-based business, which makes several lines of small jets (including Learjet and Challenger models), installs avionics equipment and plane interiors at its Tucson operation. Four months earlier, a 10 percent worldwide workforce reduction (3,800 jobs) had little effect on Bombardier's Tucson operation. And, in fact, a few weeks prior to that the company acquired a former Lockheed Martin aircraft maintenance facility at Tucson International Airport in anticipation of production of a new Continental mid-size corporate jet. If the **economy recovers** before year-end, Bombardier expects to either **curtail the layoffs or rehire some of the laid-off workers**.

A 45-year-old **printing establishment closed its doors** without notice on Dec. 31, causing the **dislocation of 40 workers**. **Fabe Litho**, which anchored and helped redevelop the site of a former Kmart store into the Miracle Mile Business Center in 1998, has not commented on its closure.

Transportation, Communications, and Public Utilities

As part of a restructuring plan, a Seattle-based **telecommunications company laid off about 30 Tucson employees** — in areas such as marketing, sales and human resources — in early January. **Captaris Inc.**, which focuses on server-based fax and wireless software products, has about 500 employees at six U.S. sites.

Services

"Jerry's Kids," or at least the organization that sponsors them, are staying put. Tempted to move to Los Angeles in hopes of better access to research, fund-raising, and airline connections, the **Muscular Dystrophy Association (MDA)** decided to **remain in Tucson**, where it moved to from New York City in 1990. MDA, which announced in September that it might move to LA, **employs 160 people** (including many of its executives).

Miscellaneous

Pima County supervisors approved legislation that **creates a "livable wage" floor** for about **300 employees** of companies with whom the county contracts. Similar in scope to a city of Tucson ordinance passed in 1999, the legislation sets minimum pay of \$9 per hour for workers who are not receiving health insurance and \$8 an hour for employees with health benefits. Considered unfriendly to business, members of the state Legislature have proposed bills to overturn the Tucson ordinance, but to date have been unsuccessful.

A **University of Arizona forecast** calls for an economic **rebound** in the **Tucson area** by the **second quarter of 2002**. In addition, UofA economist Marshall Vest predicts that the Tucson area will be less affected by the recession than other areas of the state and nation, because of its strong manufacturing base in areas less affected by the decline — defense and optics. One area of weakness, said Vest, will be the housing market, which has propped up the economy during a time of weakness. Higher interest rates, slower population growth, and the chilling effect of layoffs on spending habits are expected to keep the Tucson housing market subdued.

Balance of State

Construction

The "building boom" continues in Indian Country. The **Bureau of Indian Affairs** ex-

pects to **spend \$300 million** over the next several years on **numerous building projects** in **northeastern Arizona** and **northern New Mexico**. Almost all of the **several thousand jobs** needed to complete the work — which will primarily focus on construction of Indian schools and dormitories — will **go to Native American workers**. The federally funded projects come at the same time as an Indian-financed, \$180 million, single-family home project five miles east of Gallup, N.M. (about 25 miles east of the Arizona border). The five-year building phase will employ about 200 workers, with 40 to 50 permanent housing management positions created after construction is complete (see Dec. 1, 2001, *Industry Update*).

Yavapai County supervisors **approved** a \$16.6 million bid for construction of a **new county jail in Camp Verde**. The winning bidder, **Sletten Construction Co.**, expects to complete the two-unit jail project by November 2003. When finished, the new and current facilities combined will hold 600 adult prisoners.

Construction of **single-family homes in Prescott** set a record for the second year in a row. Prescott issued nearly 500 building permits for new homes in 2001, about 50 more than the previous year. Lower interest rates and a migration of families from larger to smaller towns were credited for the increased sales. The record sales year happens to coincide with the opening of Gateway Mall in March (see "Trade," below), which has made life hectic for the city's planning and zoning department.

Trade

Westcor Cos. plans to **open** its new **Prescott Gateway mall** (Highway 69 and Lee Boulevard) March 8. The 623,000-square-foot regional shopping complex will feature **50 indoor stores**, an **outdoor village with 30 shops and restaurants**, and an outdoor amphitheater. Mall stores — which include Dillard's, Sears, Wildflower Bread Co. and

Barnes & Noble — will hold a **job fair** for more than **1,200 openings** at Bradshaw Mountain High School (6000 Long Look) **Saturday, Jan. 26, 9 a.m. to 5 p.m.** For details on jobs, call DES Job Service in Prescott, 928-514-4100, or the mall's offices, 928-445-5100.

There is some limited news on **one definite and one potential retail project** in **Lake Havasu City**. While **renovation work** has begun on the **McCulloch Shopping Center**, the **opening** of a 60,000-square-foot **Albertson's** supermarket is about **15 months away**. However, **development of 3,600 square feet of retail space** and repaving of a parking lot will **begin in February**, with completion expected six months later. The shopping center originally opened in the mid-1970s. Meanwhile, national wholesale retailer **Costco** is **considering** building a **warehouse store** in Lake Havasu City. The Washington-based company has 380 warehouses worldwide and employs more than 95,000 workers.

Services

And the slots keep coming. The **Chemehuevi Indian Tribe**, which lives on the California side of the Colorado River across from Lake Havasu City, **broke ground** in early January on a \$2.7 million **expansion and refurbishment** of its **Havasu Landing Resort and Casino**. The first phase of the project, which will include 114 new slot machines, will open in April; followed by the opening in June of the second phase, which includes a new lounge, bar, restaurant and slot club. The expansion is expected to **create** about **40 new jobs**, including slot technicians and attendants, cashiers, cocktail waitresses, and shift managers.

Statewide

Miscellaneous

Just because many of the major high-tech employers in the state have been laying off or, at

least, not hiring new employees, don't get the idea that the need for high-tech workers has subsided. According to a story in the *East Valley Tribune*, a **host of companies** with a major presence in the state — Walgreen's, Home Depot, PETsMART, Safeway, and FedEx Corp. — are **hiring computer-related and technical employees. Occupations in demand** by these companies and others are **computer programmers, help desk analysts, Internet developers/engineers, field technicians, network administrators, and closed-circuit TV installers.** In general, industries seeking these types of workers include entertainment, fashion, medicine, education, agriculture, and retail trade.

Somewhat related to the previous story is the **continued strong population growth in Arizona.** The state — with a 3.4 percent increase between April 1, 2000, and July 1, 2001 — ranked **second in percentage growth**, only behind Nevada (5.4 percent). But with the recent increases in unemployment in Las Vegas due to the slump in the gaming industry (contrary to trends at Indian casinos in Arizona, see above), some of Nevada's population might decide to migrate to the Grand Canyon State. The U.S. population growth rate during the same period was 1.2 percent.

INDUSTRY UPDATE

Industry Update is produced biweekly as a stand-alone publication and quarterly as part of *Arizona Economic Trends* by the Arizona Department of Economic Security, Research Administration. *Industry Update* is a compilation of public announcements and articles from newspapers and periodicals about business events significant to Arizona labor markets. Due to space limitations, however, an exhaustive list of industry news is not feasible. In addition, DES, Research Administration is not responsible for incorrect information reported by these sources. For more information, contact DES, Research Administration by writing to 1789 W. Jefferson St., Site Code 733A, Phoenix, AZ 85007, or calling (602) 542-3871.
